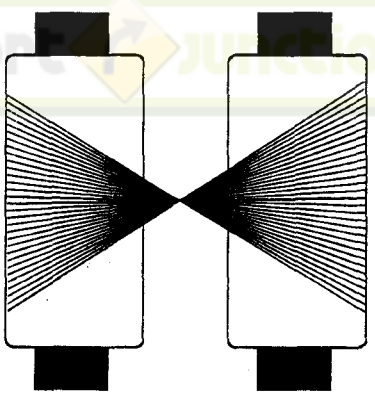
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14TH

ANNUAL REPORT

2005-2006



HISAR SPINNING MILLS LIMITED

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BOARD OF DIRECTORS

Sh. Gopal Krishan Gupta
Sh. T.N. Goel
Sh. M.L. Kansal
Sh. R.S. Malik
Sh. Anurag Gupta
Sh. Rajesh Gupta
Sh. Vikas Gupta
Sh. Surender Kumar Duggal

AUDITORS

JAIN & ANIL SOOD
Chartered Accountants
SCO 12, Basement,
Feroze Gandhi Market,
Ludhiana-141 001

BANKERS

Punjab National Bank
Main Branch, Hisar-125 001

REGISTERED OFFICE & WORKS

9th KM Stone, Hisar Bhiwani Road,
V.P.O. Dabra (Hisar)
(Haryana) 125005

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HISAR SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the 14th ANNUAL GENERAL MEETING of the Shareholders of HISAR SPINNING MILLS LIMITED, will be held on Saturday the 30th September, 2006 at 11.00 A.M. at Regd. Office at 9th K.M. Stone, Hisar Bhiwani Road, VPO Dabra (Hisar) to transact the following business:

ORDINARY BUSINESS

1. To review, consider and adopt the Balance Sheet as at 31st March, 2006 and Profit and loss Account for the Year ended on that date alongwith the report of Auditors and Directors thereon.
2. To appoint a Director in place of Sh. T.N. Goel who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh. Anurag Gupta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sh. M.L. Kansal who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider & if thought fit to pass with or without modification the following resolution as an ordinary resolution. "RESOLVED that pursuant to provisions of Section 255 & 257 and all other applicable provisions. If any, of the Companies Act 1956. Sh Vikas Gupta be and is hereby elected and appointed as a Director of the Company."
7. To consider & if thought fit to pass with or without modification the following resolution as an ordinary resulution. "RESOLVED that pursuant to provisions of Section 255 & 257 and all other applicable provisions, if any, of the Companies Act 1956 Sh. Rajesh Gupta be and is hereby elected and appointed as a Director of the company liable to retire by rotation."
8. To consider & if thought fit to pass with or without modification the following resolution as an ordinary resulution. "RESOLVED that pursuant to provisions of Section 255 & 257 and all other applicable provisions, if any, of the Companies Act 1956 Sh. Sudarshan Kumar Duggal be and is hereby elected and appointed as a Director of the company liable to retire by rotation."

Place: Chandigarh
Dated: 31.08.2006

For and on Behalf of the Board
(Gopal Krishan Gupta)
Director

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NOTES:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy and vote instead of him/herself and such proxy need not be a member of the company. A Proxy form is attached herewith.
2. The proxy form(s) duly completed and signed should reach the company's registered office at 9th K.M. Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) at least 48 hours before the time fixed for the meeting.
3. The Register of members and share transfer book of the company will remain closed from **Monday the 16th October, 2006 to Tuesday the 17th October, 2006** (Both days inclusive)
4. Members are requested to intimate to the company, change in their addresses, if any, at the registered office of the company.
5. The explanatory statement in respect of Special Business pursuant to Section 173 (2) of Companies ACt. 1956 is annexed herewith.

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ANNEXURE TO THE NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the companies Act. 1956

ITEM NO. 6.

Sh. Vikas Gupta was appointed as Director of the Company pursuant to the provisions contained in the Articles of Association of the Company and Section 260 of the Companies Act. 1956. According to the provisions of the said articles and the section as above he will hold office only upto the data of this Annual General Meeting. As required under Section 257 of the above act. Notice has been received from some member signifying his intention to propose him as candidate for the office of Director. Sh. Vikas Gupta is a Practicing Chartered Accountants having more than 15 years experience in Finance & Accounts. The company will be benefitted by his presence in the Board & accordingly the Resolution is commended for your acceptance.

None of the director other than Sh. Vikas Gupta to the extent of his appointment as director is directly or indirectly interested in the resolution.

ITEM NO. 7

Sh. Rajesh Gupta was appointed as Director of the Company pursuant to the provisions contained in the Articles or Association of the Company and Section 260 of the Companies Act. 1956. According to the provisions of the said articles and the section as above he will hold office only upto the date of this Annual General Meeting. As required under Section 257 of the above act. Notice has been received from some member signifying his intention to propose him as candidate for the office of Director. Sh. Rajesh Gupta is an experienced businessman having good knowledge of accounts & management. The company will be benefitted by his presence in the Board & accordingly the Resolution is commended for your acceptance.

None of the director other than Sh. Rajesh Gupta to the extent of his appointment as director is directly or indirectly interested in the resolution.

ITEM NO. 8

Sh. Sudarshan Kumar Duggal was appointed as Director of the Company pursuant to the provisions contained in the Articles of Association of the Company and Section 260 of the Companies Act. 1956. According to the provisions of the said articles and the section as above he will hold office only upto the date of this Annual General Meeting. As required under Section 257 of the above act. Notice has been received from some member signifying his intention to propose him as candidate for the office of Director.

Sh. Sudarshan Kumar Duggal being a Textile Engineer is very much energetic. He is considered as a master of Textile Industries. He possess around 30 years of experience. The Company will be benefitted by his presence in the Board & acordingly the Resolution is commended for your acceptance.

None of the director other thanSh. Sudarshan Kumar Duggal to the extent of his appointment as director is directly or indirectly interested in the resolution.

Place: Chandigarh **For and on Behalf of the Board**

Dated: 31.08.2006 **(Gopal Krishan Gupta)**
Director

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DIRECTORS' REPORT

To the Members

Your Directors have great pleasure in presenting the 14th Annual Report together with the Audited Statement of Accounts of your Company for the year ended 31st March, 2006.

FINANCIAL RESULTS:

(Rs. in Lacs)

	Current Year (2005-2006)	Previous Year (2004-2005)
Sales & Other Income	1417.74	1226.55
Profit Before Intt. & Depreciation	75.79	96.23
Less Interest & Financial Exp.	17.73	20.49
Less Depreciation	10.77	12.00
Profit/(Loss) Before Tax	47.29	63.74
Prov. for Income Tax	—	—
Prov. for FBT	0.34	—
Profit/(Loss) After Tax	46.95	(63.74)

PAST PERFORMANCE

Your company has achieved the growth in Sales by 16%. However, the profit before Intt. & Depreciation is less by 21%, the fall in profit is due to rates fluctuation of raw material during the year.

MANAGEMENT DISCUSSION & ANALYSIS

The Spinning Yarn Industry is a lifeline in Textile Business of India. The majority of employment in India is absorbed by Textile Industry. Keeping in view of its importance the Govt. has constituted a separate Department under Textile Ministry. The Govt. has also constituted a Technology upgradation Fund (TUF) by which concessional Loan/subsidy is granted by Govt. through its various nodal agenices for upgradation in technology.

The Govt. of India has abolished the Quota Regime in Textile Sector w.e.f. January, 2005, which has created hopes for further demand of the product in International as well as National Market. Which will certainly improve the profitability of company.

The main Raw Material is cotton, which is based on Agricultural Production of Cotton. The production is dependent on Moonsoon. In Indian Climatic condition the moonsoon is always an unpredictable factor. Sometimes there is heavy rainfall & sometime the drought situation is created, which affects the

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production of cotton to a great extent creating heavy fluctuation in raw material prices. However, the company could maintain the balance in such a situation & earned profit during the year.

PARTICULARS OF EMPLOYEES

During the year there was no employee in respect of whom information as per section 217(2A) of the Company Act, 1956 is required to be given in the Director's Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earning and outgo are given in annexure forming part of this report.

FIXED DEPOSIT

The Company has not accepted any deposit within the meaning of section 58-A of the companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.

LISTING OF SECURITIES

The Securities of the Company are listed on Stock Exchanges at Calcutta, Mumbai. The Listing Fees of Calcutta Stock Exchange is pending.

INSURANCE

All the properties and insurable interests of the company including Building, Plant & Machinery and Stock wherever necessary and to the extent required have been properly insured.

AUDITORS REPORT

The points stated in the Auditors Report are self explanatory & needs no comments.

DIRECTORS

In accordance with the requirement of the Companies Act, 1956 and the Articles of Association of the Company Sh. T.N. Goel, Sh. Anurag Gupta & Sh. M.L. Kansal retires by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE:

The Corporate Governance Report is annexd herewith alongwith Auditor's Certificate.

AUDITORS

The term of present Auditors of the company M/s Jain & Anil Sood, Chartered Accountants, Ludhiana expires at the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment.

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DIRECTORS RESPONSIBILITY STATEMENT

i. That in the preparation of the annual accounts, the applicable accounting standards had been followed.

ii. That the directors had selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the **Profit** of the company for that year:

iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:

iv. That the directors had prepared the annual accounts on a going concern basis.

Acknowledgement:

Yours Directors express their sincere appreciation for all around assistance, cooperation and guidance from the Financial Institution Haryana State Industrial Development Corporation & Banker Punjab National Bank and State & Central Govt. Authorities.

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For and on behalf of the Board

(T.N. Goel) Director

(Gopal Krishan Gupta) Director

Place: Chandigarh

Dated: 31.08.2006

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ANNEXURE TO THE DIRECTORS' REPORT

The Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 under Section 217 (1) (e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY:

i. Power factor has been maintained above 0.9 by proper choice of capacitors as per the requirement of load.

ii. Motors have been installed of optimum capacity.

iii. Power load is distributed on D.G. Sets at optimum level.

B. TECHNOLOGY ABSORPTION: NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange used : 897171

Foreign Exchange earned : NIL

FORM A
DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year (2005-2006)	Previous Year (2004-2005)
A.	**Power & Fuel Consumption:**		
1.	Power		
a.	Purchased		
i.	Units (KWH)	2217425	1333937
ii.	Total Amount (Rs.)	9112683	5533249
iii.	Rate/Unit Rs. KWH	4.11	4.15
b.	Through Diesel Generator		
i.	Units (KWH)	392567	667087
ii.	Total Amount	3260108	4266730
iii.	Cost/Unit	8.30	6.40
	Steam Coal	Nil	Nil
	Furnace Oil	Nil	Nil
	Others/Internal Generators	Nil	Nil
2.	Fuel	Nil	Nil
B.	**CONSUMPTION PER UNIT OF PRODUCTION**		
	Cotton Yarn/M.T.	909 Units	846 Units

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Corporate Governance Report for the Financial Year 2005-2006

1. Company's Philosophy on code of Corporate Governance:

Your Company's philosophy on corporate governance envisages the allignment of the highest levels of transparency, accountability and equity, in all facts of its operations and in all its interactions with its stakeholders including shareholders, employees, government and lenders. The company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value, over a sustained period of time.

2. Board of Directors:

The Board of Hisar Spinning Mills Limited consisits of Eight Directors during the financial year 2005-06. Sh Gopal Krishan Gupta is Non Executive Chairman of the Company. As per Listing Agreement the Company should have at least one Third Independent Directors.

The detail of Composition and categories of Directors are given in Table below:-

Sr.No.	Name of the Director	Category
1.	Sh Gopal Krishan Gupta	Non-Executive Chairman
2.	Sh. T.N. Goel	Independent and Non-Executive Director
3.	Sh. M.L. Kansal	Non-Executive Director
4.	Sh. R.S. Malik	Independent and Non-Executive Director
5.	Sh. Anurag Gupta	Non-Executive Director
6.	Sh. Gulshan Kumar	Nominee Director, HSIDC (Since Resigned)
7.	Sh. Vikash Gupta	Independent and Non-Executive Director
8.	Sh. Rajesh Gupta	Independent and Non-Executive Director
9.	Sh Sudarshan Kr. Duggal	Independent and Non-Executive Director

Board Procedure:

During the financial year 2005-2006 the Board of Directors met 6 times on: 28th April, 2005, 27th July, 2005, 13th August 2005, 26th October, 2005, 23rd December 2005 and 28th January, 2006.

The details of the meetings of the Board and Audit Committee held during the financial year 2005-2006 are given in Table below:-

(i) Board of Director Meeting:-

Date of Meeting	Total Members	Attendance by No. of Members
28.04.2005	6	3
27.07.2005	6	3
13.08.2005	5	3
26.10.2005	5	3
23.12.2006	8	5
28.01.2006	8	5

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